

FASTER PACE SET IN THE LAST YEAR ONE OF THE RARE INSTANCES OF MAJOR TRANSFORMATION



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*The woods are lovely, dark and deep,
But I have promises to keep,
And miles to go before I sleep,
And miles to go before I sleep.*
– Robert Frost

My Dear Professional Colleagues,

I am delighted to address you all for one last time as my tenure ends on the 21st of this month after completing one eventful year. I cherish the good moments of interaction with the representatives of Chapters, Regional Councils and members which was a good learning for me. This connect enabled me to understand the missing gaps in functioning of the Institute and strive to fill it. I fully appreciate the expectations of the members and during this one year I tried my best of ability to address the issues and also promote and enhance the visibility of the profession. I am grateful to my council colleagues for their support and help in decision making process and smooth functioning of the Institute.

Evolution is a continuous process, with little improvements being done over a unit of time. Sometimes, it gets speeded up at a faster pace, due to the dictate of circumstances. I feel that the faster pace

set in the last year was one of the rare instances of major transformation. I feel fortunate to have led an excellent team of Council Members, who were the enablers of the change.

While we were continuing to stress on the statutory role we have to play in the cost audit and cost accounting records, we had a major challenge in the new Cost Accounting Records and Cost Audit Rules, which were released in the first quarter of the financial year.

Fortunately, the new Government realized the issues in the proper perspective and formed an Expert Committee to go into the key concepts and come out with a solution. We were able to make effective presentation of the professional views to the Expert Committee and I was happy that majority of our concerns were addressed in their recommendation. The role of National Advisory Committee, formed for the purpose, was commendable and I place on record my appreciation and gratitude to the members.

The strength of any profession mandated by statute is the presence of small and medium practitioners, who are able to develop a reasonable professional practice to start with and emerge as leading practitioners, over a period of time. As an Institute, we had to continuously strive for addressing their concern and I worked on three major initiatives which formed part of the strategy to enable them to earn an assured monthly income.

The first one was opportunity in the Consulting areas especially with MSMEs. This also coincided with the Prime Minister's Make in India drive. First step towards this was to approach MSME ministry offering the services of Practicing Cost Accountants to help SMEs tied over their operational problems in the areas of Finance, Taxation and Pricing. In order to strengthen this further, entered into MOU with ASSOCHAM for a virtual help desk for MSMEs. The largest bank in the country, State Bank of India was approached with a proposal to engage our PCAs for helping SMEs which are in clusters

at different Zones of the Bank.

The second one was to create ourselves an opportunity in the Health Sector which is dominated by small companies and Trusts which do not come under our Cost Accounting Records and Cost Audit Rules mechanism. Towards this we associated with Ministry of Health and Family Welfare and through a Task Force headed by me the Institute created a Uniform Costing Template which will be applicable to small, medium or large hospitals. This was necessary to enable the Government to arrive at a price discovery mechanism for standard medical procedures which are reimbursed by the Government to private health care providers. The grand success of Asia Health Care Cost Summit, organized to familiarize the hospitals with cost management, opened up the doors for the profession and culminated in an MOU with the Health Service Providers Associations for utilizing the services of our SMP-PCAs for Cost Management in Hospitals.

The third initiative was to strengthen some exclusive areas for PCAs and initiated a proposal with CBEC which I am hopeful should be notified shortly.

I also take this opportunity to appraise you of the current strategy of the Institute and seek your support in implementing the same. While the Cost Accounting is on a reasonably solid path thru the statutory role, It is very important to focus on the Management Accounting in future. We should clearly understand the difference between cost accounting and management accounting. Later is much broader with business strategy, performance management, risk management and advanced techniques of cost management.

Management Accountant plays a very important role in business organisations. He acts as a business analyst, strategy formulator, internal consultant or advisor or business partner, change agent, information provider, leader of and / or participator in cross functional teams, designer and manager of information systems, designer and controller of performance measurement systems, teacher, guide or educator, and interpreter and manager of complexity.

Role of management accounting has shifted its focus to a broader spectrum of cross-functional disciplines such as Performance Management, Asset Management, Business Control Management, Environmental

Management, Financial Management, Intellectual Capital Management, Information Management, Quality Management and Strategic Management to name a few. To excel in the changed scenario the budding Management Accountants require possessing necessary skills such as:

- Adapting management accounting technologies to new forms of manufacturing process,
- Using modern information technology in managing organisational change,
- Using a deeper understanding of organisational structuring, functioning and processes, sponsoring and innovation
- Personal skills such as tolerance of ambiguity, ability to take leadership roles;
- Interpersonal skills to facilitate work in cross-functional teams, employee empowerment, and consultative / educative role.
- Analytic / constructive skills to play the role of business analyst, change agent and strategy formulator;
- Ability to be intuitive, synthetic and creative thinking.
- Proactivity, innovativeness and organisational design skills.

In order to implement the strategy the Institute has taken various steps, such as revising the syllabus, strengthening relationship with Government, entering into partnerships with other professional bodies and developing technical material to support members who provide service in emerging areas. It is also important to make our intellectual presence felt in the global management accounting arena, where consolidation has been the latest hue.

During the first week of August we celebrated Cost Management Week as a part of this strategy which was well attended and participated. Taking the cue from this, series of Webinars on Cost management were organized with very good participation and plans have been drawn for continuing the programs in the future too.

In order to strengthen cost and management accounting domain and to put Institute on global management accounting map we have signed number of MoUs with global accounting institutes. With Chartered Institute of Management Accountants (CIMA-UK), MoU was signed to promote and develop cost and management accounting. MoU with Association

of Chartered Certified Accountants (ACCA-UK) aimed at working towards professional training, education, research and examinations. MoU with IMA, USA is aimed at bringing mutual recognition and global cooperation between the two Institutes and assisting and cooperating in conducting joint research, development of management accounting guidelines and standards. The recent enhanced co-operation with CAM-I is also step in that direction.

The above initiative helps our members who are across the globe to enhance their chances in the career path and provide them opportunities in different organisations both national and international.

New horizons for the profession

The Institute is in constant touch with the different Government agencies to support its new initiatives such as Make in India, ease of doing business, smart cities, infrastructure growth, agricultural reforms and a cleaner India thru Swatch Bharat, etc. Supporting the Government in those areas requires broadening our competencies and skill sets beyond the conventional cost accounting. Therefore the members, should develop competencies to contribute in improving the economy and the general governance system of the country. For example our competencies in using Information Technology are essential to support initiatives to digitize India. Similarly we should develop our competencies in internal audit, social audit and performance evaluation to provide feedback to government agencies on the outcome of social and other investments and to help them in project risk management.

The new Cost Rules, notified by the Government, cover new sectors like Education and Healthcare. This is a great opportunity to understand business models of those industries and develop our competencies to support them in developing management accounting models to enable them to provide essential services at affordable cost and also to improve the governance system to ensure the quality of services and effectiveness of resource utilization match with the global standards. The other emerging areas which provide opportunities to young professional members are:

- **Infrastructure:** CMAs can provide professional services in managing finance, risk of cost & time over

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runs and price fixation.

- **Engineering sectors:** CMAs can provide the whole gamut of management accounting services in improving total productivity of resources and managing risks.
- **Public Transport:** CMAs can facilitate tariff fixation and resource utilization to ensure affordable transportation while encouraging entrepreneurs to invest in modern transportation systems.
- **Urban Planning:** CMAs can be a member of the cross functional team that work in providing civic infrastructure and services to citizens.
- **Acquisition of Land:** CMAs can support both the private and public sectors in valuation of land and consequentially determining adequate compensation to the land owners within the regulatory framework to ensure smooth land acquisition.
- **Smart cities:** CMAs should take advantage of the Government focus in building smart cities, which will require optimization of resource utilization to ensure that facilities and services are available at affordable cost to both commercial organisations and other users.
- **Waste Management:** Waste management has emerged as an important challenge in every sector of economy and CMAs can formulate cost-effective strategies for managing waste in every activity.
- **Environmental:** Sustainability is a global concern and CMAs can support organisations in sustainability initiatives through cost-benefit analysis.

Sector specific Guidance Notes on Internal Audit

I am happy to inform that the Institute issued four Guidance Notes on Internal Audit of Power Industry, Telecommunication Industry, Engineering Industry and Plantation Industry. These guidance notes, apart from general framework of the Internal Audit mechanism, also give sector specific issues relating to these Industries such as Audit of Special Area with reference to peculiar transactions, Audit of Activities, Audit of Functional Areas, Maintenance of Cost Records and Cost Audit specific to these Industries. These Guidance Notes are available on the Institute website for downloading. The Institute has already brought out and issued two Sector Specific Guidance Notes on Internal Audit

for Pharmaceutical Industry and Stock Brokers and Depository Participants.

I wish to inform that the Institute is shortly publishing 2nd series of FAQs to clarify the issues concerning the Companies (cost records and audit) Rules 2014. Members are aware that consequent on notification of amended Rules 2014 on 31st December 2014, a need was felt to guide the members of the Institute and Industry to provide authentic clarification and interpretation on the Amended Rules 2014 and accordingly conducted series of Seminars during February 2015 to June 2015 at various places such as Delhi, Chennai, Hyderabad, Kolkata, Bengaluru, Mumbai, Jaipur, Lucknow etc. The 2nd series of FAQs is an attempt to clarify the issues brought out by the participants in the said seminars and queries on these Rules sent by the members and Industry to the Institute.

I wish members, students and their family good health and prosperity. I also wish the members success in all endeavors.

I will be failing in my duty, if I do not place on record the tremendous support extended by my family, starting with my wife Lakshmi, my son Kiran and his wife Uma, my daughter Deepthi and her husband Kamal. They were also comforting my mother, whenever she had a concern that I am overexerting myself putting my health in jeopardy. But I recharged myself, whenever I visited various chapters and was energized by the enthusiastic response to me in my endeavor. I have to thank the silent workers, the executives of the Institute, external experts and my Council colleagues who stood like a rock behind me, in times of hardship and enabled me to travel the last mile on their shoulders.

I congratulate the newly elected Central Council Members and Regional Council Members for the term 2015-19 and I am sure that they will surpass the benchmark set by the existing Council and enable the profession to reach greater heights.

With warm regards,



(CMA Dr. A S Durga Prasad)
1st July 2015